

**CASE NAME: Chinos Holdings, Inc., et al.**

**CASE NUMBER: 20-32181**

**JUDGE: Keith L. Phillips**

**UNITED STATES BANKRUPTCY COURT**

**EASTERN DISTRICT OF VIRGINIA**

**RICHMOND DIVISION**

**MONTHLY OPERATING REPORT**

**MONTH ENDING: MAY 30, 2020**

**IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT (ACCRUAL BASIS-1 THROUGH ACCRUAL BASIS-6) AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE. DECLARATION OF THE PREPARER (OTHER THAN RESPONSIBLE PARTY): IS BASED ON ALL INFORMATION OF WHICH PREPARER HAS ANY KNOWLEDGE.**

**RESPONSIBLE PARTY:**

/s/Vincent Zanna  
ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

Vincent Zanna  
PRINTED NAME OF RESPONSIBLE PARTY

Chief Financial Officer  
TITLE

6/30/2020  
DATE

UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF VIRGINA

In re: Chinos Holdings, Inc., et al.

Case No. (Jointly Administered)  
Reporting Period:

20-32181  
30-May-20

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Notes to the Monthly Operating Report

GENERAL:

The report includes activity from the following Debtors and related Case Numbers:

Debtor	Case Number	Debtor	Case Number
Chinos Holdings, Inc	20-32181	J. Crew International, Inc.	20-32190
Chinos Intermediate Holdings A, Inc	20-32182	J. Crew Virginia, Inc.	20-32180
Chinos Intermediate, Inc	20-32183	Madewell Inc.	20-32191
Chinos Intermediate Holdings B, Inc	20-32184	J. Crew Brand Holdings, LLC	20-32192
J. Crew Group, Inc.	20-32185	J. Crew Brand Intermediate, LLC	20-32193
J. Crew Operating Corp.	20-32186	J. Crew Brand, LLC	20-32194
Grace Holmes, Inc.	20-32187	J. Crew Brand Corp.	20-32195
H.F.D. No. 55, Inc.	20-32188	J. Crew Domestic Brand, LLC	20-32196
J. Crew, Inc.	20-32189	J. Crew International Brand, LLC	20-32197

Notes to the MOR:

The Debtors are filing their consolidated Monthly Operating Report (MOR) solely for the purposes of complying with the monthly operating report requirements applicable in the Debtors’ chapter 11 cases. The financial and supplemental information contained herein is presented on preliminary and unaudited basis, remains subject to future adjustments and may not comply in all material respects with generally accepted accounting principles in United States of America (“U.S. GAAP”). This MOR should not be relied on by any persons for information relating to current or future financial conditions, events, or performance of any of the Debtors or their affiliates.

The financial information has been derived from the books and records of the Debtors. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with U.S. GAAP, and upon application of such procedures, the Debtors believe that the financial information could be subject to material changes.

The results of operations contained herein are not necessarily indicative of results which may be expected for any other period or for the full year and may not necessarily reflect the combined results of operations and financial positions of the Debtor in the future.

The Debtors reserve all rights to amend or supplement this MOR in all respects, as may be necessary or appropriate. Nothing contained in this MOR shall constitute a waiver of any of the Debtors’ rights or an admission with respects to their chapter 11 cases.

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**Schedule of Cash Receipts and Disbursements**

Debtor	Case Number	Cash Receipts <sup>1</sup>	Cash Disbursements <sup>1</sup>
Chinos Holdings, Inc	20-32181	\$ -	\$ -
Chinos Intermediate Holdings A, Inc	20-32182	20,148,196	-
Chinos Intermediate, Inc	20-32183	-	-
Chinos Intermediate Holdings B, Inc	20-32184	-	-
J. Crew Group, Inc.	20-32185	12,847	8,975,358
J. Crew Operating Corp.	20-32186	149,854,232	41,532,355
Grace Holmes, Inc.	20-32187	20,339	17,064
H.F.D. No. 55, Inc.	20-32188	18,193	11,476
J. Crew, Inc.	20-32189	444,678	440,034
J. Crew International, Inc.	20-32190	-	-
J. Crew Virginia, Inc.	20-32180	-	-
Madewell Inc.	20-32191	4,498	1,283
J. Crew Brand Holdings, LLC	20-32192	-	-
J. Crew Brand Intermediate, LLC	20-32193	-	-
J. Crew Brand, LLC	20-32194	-	293
J. Crew Brand Corp.	20-32195	-	-
J. Crew Domestic Brand, LLC	20-32196	-	-
J. Crew International Brand, LLC	20-32197	-	-
<b>Total Cash Receipts and Cash Disbursements</b>		<b>\$ 170,502,982</b>	<b>\$ 50,977,863</b>

Notes:

1. The cash receipts and disbursements are shown on an aggregate basis for the Debtors and have not been adjusted to remove intercompany transfers.

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Source: SOAL AB3

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Bank Account Information				
Legal Entity	Bank	Account type	Last 4 Digits of Account Number	Balance <sup>1</sup>
Grace Holmes, Inc.	Bank of America	Store Deposit	4684	\$ 1,054
Grace Holmes, Inc.	Bank of America	Clearance	4621	7,755
H.F.D. No. 55, Inc.	Bank of America	Store Deposit	4671	3,000
Madewell Inc.	Bank of America	Store Deposit	1206	735
J. Crew Operating Corp.	Bank of America Merrill Lynch	Investment	1A06	-
Madewell Inc.	Bank of America Merrill Lynch	--	2685	-
Madewell Inc.	Bank of America Merrill Lynch	--	8360	-
Grace Holmes, Inc.	Capital One	Store Deposit	0364	1,413
H.F.D. No. 55, Inc.	Capital One	Store Deposit	0259	1,168
Grace Holmes, Inc.	Chase	Store Deposit	1802	2,593
H.F.D. No. 55, Inc.	Chase	Store Deposit	1810	2,401
Madewell Inc.	Chase	Store Deposit	1828	2,878
J. Crew Operating Corp.	HSBC	Open Account	5201	-
J. Crew Global Holdings B, LLC	HSBC	Disbursement	4501	-
J. Crew Operating Corp.	HSBC	Letter of Credit	6434	(3,262)
Chinos Intermediate Holdings A, Inc.	JPM	DIP Funding Account	3865	12,603,196
Chinos Intermediate Holdings A, Inc.	JPM	Professional Fees Escrow Account	3719	6,945,000
Chinos Intermediate Holdings A, Inc.	JPM	Utility Security Escrow Account	8866	600,000
Grace Holmes, Inc.	Key Bank	Store Deposit	1222	192
H.F.D. No. 55, Inc.	Key Bank	Store Deposit	3660	824
Grace Holmes, Inc.	PNC Bank	Store Deposit	7131	952
H.F.D. No. 55, Inc.	PNC Bank	Store Deposit	9887	1,308
H.F.D. No. 55, Inc.	TD Bank	Store Deposit	6437	1,474
Grace Holmes, Inc.	TD Bank	Store Deposit	3661	1,375
J. Crew Group, Inc.	US Bank	Payroll	2966	5,092,145
Grace Holmes, Inc.	US Bank	Store Deposit	2079	683
H.F.D. No. 55, Inc.	US Bank	Store Deposit	7830	374
J. Crew Brand LLC	US Bank	IPCo Notes	6634	46,451
Madewell Inc.	US Bank	--	7576	-
Grace Holmes, Inc.	Wells Fargo	Store Deposit	8543	3,110
H.F.D. No. 55, Inc.	Wells Fargo	Store Deposit	9086	3,624
J. Crew, Inc.	Wells Fargo	Clearance	8323	1,000
Chinos Holdings Inc.	Wells Fargo	Disbursements	2998	1,774
J. Crew Operating Corp.	Wells Fargo	Disbursements	3096	-
J. Crew Operating Corp.	Wells Fargo	Concentration	1816	127,209,154
J. Crew Inc.	Wells Fargo	--	8336	-
J. Crew Inc.	Wells Fargo	--	8600	-
J. Crew Operating Corp.	Wells Fargo	Disbursements	1861	-
J. Crew Operating Corp.	Wells Fargo	Wholesale	1705	-
J. Crew Global Holdings B, LLC	Wells Fargo	Disbursement	0913	-
J. Crew Operating Corp.	Wells Fargo	Investment	0411	-
Madewell Inc.	Wells Fargo	Store Deposit	1442	1,126
Madewell Inc.	Wells Fargo	Investment	6104	-
Madewell Inc.	Wells Fargo	--	1015	-
Madewell Inc.	Wells Fargo	--	9681	-
Madewell Inc.	Wells Fargo	--	9699	-
Madewell Inc.	Wells Fargo	--	7801	-
Madewell Inc.	Wells Fargo	--	2756	-
Total Cash				\$ 152,533,497

**Notes:**  
1. Cash and cash equivalents on the balance sheet (Appendix B) includes credit card receivables and therefore differs from the total cash balance shown above

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Schedule of Payments to Insiders				
Professional	Role / Capacity	Type	Amount Paid	Cumulative Payments Since Filing
Jan Singer	Chief Executive Officer	Salary	\$ 72,115	\$ 72,115
Libby Wadle	Chief Executive Officer - Madewell	Salary	54,808	54,808
Michael Nicholson	President - Chief Operating Officer	Salary	65,385	65,385
Lynda Markoe	Chief Administrative Officer	Salary and Expenses	46,315	46,315
Vincent Zanna	Chief Financial Officer	Salary and Expenses	32,737	32,737
			\$ 271,360	\$ 271,360

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Schedule of Payments to Professionals			
Payee	Role of Professional	Amount Paid	Cumulative Payments Since Filing
KPMG	Debtor Accountancy/Tax Adviser	-	-
Weil Gotshal & Manges LLP	Debtor Legal Adviser	-	-
AlixPartners LLP	Debtor Financial Adviser	-	-
Lazard Freres & Co LLC	Debtor Investment Banker	-	-
Omni Agent Solutions	Debtor Claims Agent	-	-
Hunton Andrews Kurth LLP	Debtor Legal Adviser	-	-
Hilco Real Estate, LLC	Debtor Real Estate Adviser	-	-
Pachulski Stang Ziehl & Jones LLP	UCC Legal Adviser	-	-
Hirschler Fleischer	UCC Legal Adviser	-	-
Province, Inc.	UCC Financial Adviser	-	-
Back Bay Management Corp	UCC Financial Adviser	-	-
		\$ -	\$ -

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Postpetition Status of Secured Notes, Leases Payable, and Adequate Protection Payments

PAYMENTS				
Name of Creditor	Description	Scheduled Monthly Payment Due	Amount Paid	Total Unpaid Postpetition
Bank of America, N.A.	ABL Interest	\$ 990,437	\$ 990,437	\$ -
Various Parties	DIP Facility Fees	-	597,778	-
Choate Hall & Stewart LLP	ABL Advisor Fees	-	235,825	-
Milbank LLP	Ad Hoc Committee Legal Adviser	-	-	-
Tavener & Beran PLC	Ad Hoc Committee Legal Adviser	-	-	-
PJT Partners, Inc.	Ad Hoc Committee Banker	-	-	-
		TOTAL: \$	1,824,041	\$ -

DIP FINANCING				
Name of Creditor	Beginning Balance	Draws	Pay-Downs	Ending Balance
DIP Facility	\$ -	\$ 16,075,696	\$ -	\$ 16,075,696
TOTAL: \$		-	\$ 16,075,696	\$ -



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Accounts Receivable and Accounts Payable Aging

Accounts Receivable Aging <sup>1</sup>	
Accounts Receivable Days Aging	Amount
0-30	\$ 2,097,398
31-60	943,481
61-90	2,970,883
91+	1,688,725
Other Non-Trade Receivables	20,990,181
Accounts Receivable (Gross)	\$ 28,690,668
A/R Allowance for Bad Debts	(4,440,685)
Accounts Receivable (Net)	\$ 24,249,984

Accounts Payable Aging <sup>2 3</sup>					
Accounts Payable Category	Current	1-30 Days	31-60 Days	61+ Days	Total
Trade Payables	7,996,884	19,596,257	-	-	\$ 27,593,141

Notes:

1. Balances are spread across both Accounts Receivable, net and other current assets on the balance sheet at Appendix B.
2. Includes postpetition balances only. Aging is based on the Debtors' books and records as of May 30, 2020 and represents open and outstanding invoices that have been entered into the Debtors' accounts payable system. The aging does not include accruals for invoices not yet received or approved and is aged based on due date.
3. The accounts payable aging includes unpaid rent for the month of May that fell due on May 1, within 1-30 days past due.

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Status Postpetition Taxes

Tax Category	Beginning Liability	Amount Withheld or Accrued	Amount Paid	Ending Liability
Sales Tax	\$ -	\$ 7,712,207	\$ -	\$ 7,712,207
Payroll Tax	-	4,422,572	3,390,120	1,032,452
Property Tax <sup>1 2</sup>	-	48,780	-	48,780
State Income/Franchise Tax	-	69,271	-	69,271
Other Taxes	-	96,300	96,300	-
Total	\$ -	\$ 12,349,130	\$ 3,486,420	\$ 8,862,709

**Notes:**

1. The Debtors do not accrue on a monthly basis for NYC Commercial Rent Tax, OH Commercial Activity Tax, SF Business Activity Tax. These taxes are excluded from the table above.

2. Real estate and property taxes paid to landlords per the lease agreement are not included in the amounts above.

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Debtor Questionnaire			
General Questions		Yes	No
1. HAVE ANY ASSETS BEEN SOLD OR TRANSFERRED OUTSIDE THE NORMAL COURSE OF BUSINESS THIS REPORTING PERIOD?			X
2. HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT?			X
3. ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES?		X <sup>1</sup>	
4. HAVE ANY PAYMENTS BEEN MADE ON PREPETITION LIABILITIES THIS REPORTING PERIOD?		X <sup>2</sup>	
5. HAVE ANY POSTPETITION LOANS BEEN RECEIVED BY THE DEBTOR FROM ANY PARTY?		X <sup>3</sup>	
6. ARE ANY POSTPETITION PAYROLL TAXES PAST DUE?			X
7. ARE ANY POSTPETITION STATE OR FEDERAL INCOME TAXES PAST DUE?			X
8. ARE ANY POSTPETITION REAL ESTATE TAXES PAST DUE?			X
9. ARE ANY OTHER POSTPETITION TAXES PAST DUE?			X
10. ARE ANY AMOUNTS OWED TO POSTPETITION CREDITORS DELINQUENT?			X
11. HAVE ANY PREPETITION TAXES BEEN PAID DURING THE REPORTING PERIOD?		X <sup>4</sup>	
12. ARE ANY WAGE PAYMENTS PAST DUE?			X
Insurance		Yes	No
1. ARE WORKER'S COMPENSATION, GENERAL LIABILITY AND OTHER NECESSARY INSURANCE COVERAGES IN EFFECT?		X <sup>5</sup>	
2. ARE ALL PREMIUM PAYMENTS PAID CURRENT?		X <sup>5</sup>	
3. PLEASE ITEMIZE POLICIES BELOW.			

**Notes:**

1. Pursuant to the *Final Order (I) Authorizing Debtors to (A) Continue Participating in Existing Cash Management System, and Using Bank Accounts and Business Forms, and (B) Continue Intercompany Transactions, (II) Providing Administrative Expense Priority for Postpetition Intercompany Claims, (III) Extension of Time to Comply with Requirements of 11 U.S.C. § 345(b), and (IV) Granting Related Relief* (Docket No. 378), the Debtors continue to enter into ordinary course intercompany transactions postpetition consistent with the Debtors' operation of their business in the prepetition period.

2. The Debtors made various payments on prepetition liabilities during the period pursuant to the interim and final first day orders.

3. Pursuant to the *Final Order (I) Authorizing The Debtors to Obtain Postpetiton Financing, (II) Authorizing The Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Claims, (IV) Granting Adequate Protection to Prepetition Secured Parties, (V) Modifying Automatic Stay, and (VII) Granting Related Relief* (Docket No. 447), the Debtors have secured postpetition debtor-in-possession financing.

4. Pursuant to the *Final Order (I) Authorizing the Payment of Certain Prepetition and Postpetition Taxes and Fees and (II) Granting Related Relief* (Docket No. 103), the Debtors continue to pay prepetition taxes and fees as they come due.

5. For a complete list of the insurance policies currently in effect, please see the *Final Order (I) Authorizing the Debtors to Continue and Renew their Insurance Coverage and Policies Entered Into Prepetition and Satisfy Obligations Related Thereto and Related to the Surety Bond Program, and (II) Granting Related Relief* (Docket No. 379). Supplemental information is shown on the following page.

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Debtor Questionnaire - Insurance Supplement

Change (New, Lapsed, Modified, etc.)	Policy Type	Insurance Carrier	Policy Number	Policy Term	Approximate Annualized Premium
Renewed	D&O Insurance	AXA XL - Professional Insurance	ELU167313-20	05/14/2020 to 05/14/2021	\$ 580,000
Renewed	D&O Insurance	Berkeley Profession Liability	BPRO8054024	05/14/2020 to 05/14/2021	\$ 318,750
Renewed	D&O Insurance	Markel	MKLM6EL0005442	05/14/2020 to 05/14/2021	\$ 464,000
Renewed	D&O Insurance	Nationwide	XMO2009266	05/14/2020 to 05/14/2021	\$ 268,192
Renewed	D&O Insurance	Beazley	V2B2E0200101	05/14/2020 to 05/14/2021	\$ 254,782
Renewed	D&O Insurance	Berkshire Hathaway Specialty Insurance	G71805530 001	05/14/2020 to 05/14/2021	\$ 250,000
Renewed	D&O Insurance	Hudson Insurance Group	HN-0303-5614-051420	05/14/2020 to 05/14/2021	\$ 125,000
Renewed	D&O Insurance	Sompo International	DOP30001681500	05/14/2020 to 05/14/2021	\$ 725,000
Renewed	D&O Insurance	Chubb	G71805530 001	05/14/2020 to 05/14/2021	\$ 318,750

Notes:

For a complete list of the insurance policies currently in effect, please see the *Final Order (I) Authorizing the Debtors to Continue and Renew their Insurance Coverage and Policies Entered Into Prepetition and Satisfy Obligations Related Thereto and Related to the Surety Bond Program, and (II) Granting Related Relief* (Docket No. 379). The above represents the Debtors’ insurance policies which have been modified during the reporting period:

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**Appendix A - Consolidated Statement of Operations (In 000s)**

*Debtor Entities*

	For the Four Weeks Ended May 30, 2020
Total revenues.....	\$ 145,255
Cost of goods sold, including buying and occupancy costs.....	110,511
Gross profit.....	34,744
Selling, general and administrative expenses.....	22,799
Impairment losses.....	30
Income from operations.....	11,915
Interest expense, net.....	2,767
Reorganization items.....	6,149
Income before income taxes.....	2,999
Provision for income taxes.....	764
Net income.....	\$ 2,235

**Notes:**

The financial information has been derived from the books and records of the Debtors. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with U.S. GAAP, and upon application of such procedures, the Debtors believe that the financial information could be subject to material changes.

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**Appendix B - Consolidated Balance Sheet (In 000s)**

*Debtor Entities*

	May 30, 2020
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents.....	\$ 172,737
Accounts receivable, net.....	7,768
Merchandise inventories, net.....	412,646
Prepaid expenses and other current assets.....	64,769
Refundable income taxes.....	24,525
Total current assets.....	682,445
Property and equipment, net.....	207,795
Right-of-use lease assets.....	414,669
Intangible assets, net.....	240,575
Goodwill.....	107,900
Other assets.....	10,357
Total assets.....	\$ 1,663,741
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	
Current liabilities:	
Accounts payable.....	\$ 32,000
Borrowings under the ABL Facility (1).....	309,094
Other current liabilities.....	110,990
Due to subsidiaries, net.....	77,604
Borrowings under the DIP Facility.....	16,076
Interest payable.....	694
Total current liabilities.....	546,458
Deferred income taxes, net.....	13,693
Liabilities subject to compromise.....	2,594,449
Other liabilities.....	22,279
Total liabilities.....	3,176,879
Total stockholders' deficit.....	(1,513,138)
Total liabilities and stockholders' deficit.....	\$ 1,663,741

**Notes:**

1. Borrowings under the ABL Facility are classified as a current liability not subject to compromise because the proposed Plan of Reorganization treats such claims as unimpaired.